

**Finance and Administration Committee  
2012-13 Estimates Hearing**

**Question on Notice – Government QON No. 1**

**Asked on 26 September 2012**

**A GOVERNMENT MEMBER ASKED THE TREASURER AND MINISTER FOR TRADE (MR NICHOLLS)—**

**QUESTION:**

Can the Treasurer advise what was the state of the Queensland Government's finances at the time the Newman Government took office?

**ANSWER:**

During its first week in office, the Government appointed an Independent Commission of Audit to uncover the true state of Queensland's financial position.

The Independent Commission of Audit found:

- Queensland's fiscal position has deteriorated significantly over the last six years and was vulnerable to external shocks.
- That this deterioration was the result of a lack of fiscal discipline with expenditure growth significantly outstripping revenue growth since 2005-06.
- This spending resulted in the State living beyond its means, requiring it to borrow heavily to support the budget.
- This led to a significant increase in Government debt such that it would reach \$100 billion by 2018-19 without corrective action.
- It found the magnitude of the fiscal repair task was substantially larger than previously recognised because the former Government built in unrealistically optimistic budget assumptions that masked the magnitude of the underlying structural problems.

The poor state of Queensland's finances was further confirmed in Queensland Treasury's Incoming Government brief which stated:

*'Queensland's fiscal position and outlook is unsustainable and restoration must be an urgent priority for this term of government.'*

This was reinforced by Queensland Treasury Corporation advice which said:

*'The State's debt has reached unprecedented levels. Together with its published forward estimates showing an even greater volume of debt required, Queensland is now in uncharted waters with respect to the volume of debt on issue and the resultant interest bill.'*

Further, quotes from ratings agencies outline the extent of Queensland's fiscal problems. On 10 February 2012, Moody's ratings agency said:

*'...budgetary redress measures are not likely to be sufficient to result in a material shift in the deficit outcomes, which indicates weakness in the state's policy framework.'*

**Finance and Administration Committee  
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**Question on Notice – Government QON No. 2**

**Asked on 26 September 2012**

**A GOVERNMENT MEMBER ASKED THE TREASURER AND MINISTER FOR TRADE (MR NICHOLLS)—**

**QUESTION:**

What was the projected debt level for the Non-financial public sector when the Newman Government took office and what assumptions underpinned these projections?

**ANSWER:**

The Independent Commission of Audit found that

*‘...the level of Total Government gross debt almost tripled over the period 2005-06 to 2009-10. Gross debt is currently \$64 billion in 2011-12, and is expected to reach \$92 billion in 2015-16. On current projections, gross debt will reach \$100 billion by 2018-19.*

*Most of this increase has occurred in the General Government sector, where gross debt has increased more than tenfold in the last five years.’<sup>1</sup>*

The Independent Commission identified a number of risks to the Budget that required the provision of funding over the forward estimates. It also identified three areas of concern in the forward estimates related to transfer duty, employee expenses and capital expenditure which were addressed in the Government’s Interim Response and the 2012-13 Budget.

The 2011-12 Mid Year Fiscal and Economic Review, the final Budget update of the previous Government, estimated Non-financial Public Sector borrowings of:

2011-12	\$62.4 billion
2012-13	\$74.2 billion
2013-14	\$81.4 billion
2014-15	\$85.4 billion

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<sup>1</sup> Page 17 Queensland Commission of Audit: Interim Report June 2012.

This compares to the 2012-13 Budget estimates of Non-financial Public Sector borrowings of:

2011-12	\$62.7 billion
2012-13	\$73.7 billion
2013-14	\$79.9 billion
2014-15	\$81.7 billion

The Independent Commission forecast that Non-financial Public Sector borrowings would be \$86.326 billion in 2014-15. The Government's reduced level of borrowing due to its fiscal consolidation saves over \$1.3 billion of interest expense over the forward estimates.

**Finance and Administration Committee  
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**Question on Notice – Government QON No. 3**

**Asked on 26 September 2012**

**A GOVERNMENT MEMBER ASKED THE TREASURER AND MINISTER FOR TRADE (MR NICHOLLS)—**

**QUESTION:**

Did the Treasurer seek any independent advice on the state of the Queensland Government's finances, who provided this advice and what were the key findings of any advice received?

**ANSWER:**

On 29 March 2012, the Government established a Commission of Audit to provide independent advice on the State's financial position.

The Honourable Peter Costello AC was appointed as Chair of the Commission with Dr Doug McTaggart and Professor Sandra Harding being appointed as Commissioners. All three Commissioners are well-credentialed to provide an independent view of the State's finances.

The Commission's Terms of Reference are to review and report on the following:

1. The State's financial position
2. Improving the State's financial position
3. Service delivery
4. Government commercial enterprises
5. The economy.

The Commission handed down the first interim report on 15 June 2012. This interim report covered the first two Terms of Reference.

A summary of the Commission's findings as published in its Interim Report is provided below.

- Queensland moved from a position of considerable financial strength to a position of relative weakness over the last six years.
- Queensland's performance has been worse than the other states over that period.
- Based on Queensland Treasury and Trade's (Treasury) updated May 2012 forward estimates, a fiscal deficit was expected throughout the forward estimates period to 2015-16.

- Treasury was using overly optimistic forward estimates in a bid to meet the previous Labor Government's political objectives.
- Major corrective action was needed to reach the Treasury baseline projections. Otherwise the fiscal deficit would be worse than projected.

The Commission recommended a two stage process for fiscal repair:

- First Stage – stabilise growth in debt and return the budget to a General Government fiscal surplus by 2014-15.
  - The Government should aim for a \$3B improvement in the bottom line over the three years to 2014-15.
  - Second Stage – reduce the accumulated Total Government debt to restore the debt to revenue ratio to 60% by 2017-18.
- This would involve reducing debt by \$25B-\$30B by carefully utilising the balance sheet and selling assets. This would restore Queensland's AAA credit rating and provide a buffer to withstand external adverse events.
  - The deterioration in Queensland's financial position was caused by unsustainable levels of spending by the previous Labor Government.
  - The state was "living beyond its means" well before the 2008 Global Financial Crisis and the 2011 floods.
  - The gap between revenue and expenditure widened, causing a blowout in debt.
  - Gross debt was expected to be \$64B in 2011-12, rising to \$92B in 2015-16 with the potential to escalate to \$100B by 2018-19 unless immediate corrective action was taken.
  - Queensland's debt to revenue ratio has risen sharply from below 20% in 2005-06 to more than 100% in 2011-12.
  - Based on the May update, it was forecast to peak at 132% in 2013-14, well outside the trigger band of around 100-110% for a AAA credit rating.
  - The increasing debt has resulted in increasing interest costs, severely limiting Queensland's budgetary flexibility. Interest costs were expected to be \$3.5B in 2011-12, rising to \$5.3B by 2015-16.
  - Growing employee expenses have contributed to the expenditure increase.
  - Capital expenditure has also rapidly expanded to unsustainable levels. Capital expenditure in other states has been relatively steady at around 1% of Gross State Product (GSP) for much of the last two decades, peaking at just over 1.5% of GSP in 2009-10. Queensland's capital expenditure surged to over 3.5% of GSP in 2009-10.

- In 2005-06, just 34% of capital expenditure was funded from borrowings. By 2010-11, 96% of all capital investment was funded from borrowings.
- The Commission has identified a number of significant funding pressures and contingent liabilities which have not been factored into the forward estimates. Examples include:
  - Department budget over-runs
  - IT system and wireless network upgrades
  - Maintenance work backlogs
  - Carbon Tax
  - 2018 Commonwealth Games
- These could result in additional costs as follows:
  - Operating costs of up to \$4.2B over the forward estimates period and another \$1.4B with uncertain timing; and
  - Capital costs of over \$2.2B.

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**Question on Notice – Government QON No. 4**

**Asked on 26 September 2012**

**A GOVERNMENT MEMBER ASKED THE TREASURER AND MINISTER FOR TRADE (MR NICHOLLS)—**

**QUESTION:**

What information did the Government take into account when it compiled its fiscal principles and how did these differ from the former Government's principles?

**ANSWER:**

The Government's fiscal principles, which represent a return to the core set of principles that underpinned Queensland's historic fiscal strength, have been established with reference to the findings and recommendations of the Independent Commission of Audit.

The Independent Commission has emphasised that fiscal repair will require realigning Government recurrent and capital spending so that it can be fully funded from the State's recurrent revenue. The achievement of an operating surplus in itself is not sufficient for Government to attain fiscal sustainability or maintain or improve its credit rating given the impact of capital investment on the debt position.

A key point of difference from the former Government's principles is that the former Government was aiming to achieve an operating surplus by 2015-16, whereas the Newman Government is committed to achieving a fiscal surplus by 2014-15.

Further, the Newman Government has committed to stabilise then significantly reduce debt, whereas the former Government had no commitment to debt reduction.

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**Question on Notice – Government QON No. 5**

**Asked on 26 September 2012**

**A GOVERNMENT MEMBER ASKED THE TREASURER AND MINISTER FOR TRADE (MR NICHOLLS)—**

**QUESTION:**

Can the Treasurer advise how the 2012/13 Budget compares to the Government's fiscal principles?

**ANSWER:**

*Principle 1 – Stabilise then significantly reduce debt*

The 2012-13 Budget shows that debt, as a proportion of revenue, will peak in 2012-13 before declining across the forward estimates.

In absolute terms, projected debt levels have been stabilised at below the \$85 billion figure identified in the Government's interim response to the Independent Commission of Audit's interim report.

The 2012-13 Budget forecasts Non-financial Public Sector borrowings of \$81.7 billion in 2014-15. This compares to the previous Government's 2011-12 Mid Year Fiscal and Economic Review projection of Non-financial Public Sector borrowings in the same year of \$85.4 billion – a \$3.6 billion reduction.

*Principle 2 – Achieve and maintain a General Government sector fiscal balance by 2014-15*

The 2012-13 Budget projections show that the Government is on track to achieve a fiscal balance from 2014-15 onwards.

The 2014-15 General Government fiscal balance is estimated to be a surplus of \$652 million. This compares to the previous Government's 2011-12 Mid Year Fiscal and Economic Review forecast of a deficit of \$1.2 billion – an improvement of \$1.9 billion in 2014-15.

*Principle 3 – Maintain a competitive tax environment for business*

Queensland's taxation per capita in 2012-13 is estimated at \$2,347, which is \$495 per capita less than the average of the other states of \$2,842.

Initiatives such as the Government's commitment to increase the exemption threshold to \$1.1 million from 1 July 2012 with five further increases to an eventual threshold of \$1.6 million in 2017-18 have improved Government's tax competitiveness for business.

*Principle 4 – Target full funding of long term liabilities such as superannuation in accordance with actuarial advice*

As at the last actuarial review (released June 2011), accruing superannuation liabilities were fully funded when the Queensland Motorways Limited transaction is taken into account. The State Actuary reviews the scheme every three years.

The retention of this fiscal principle maintains the Government's commitment to continuing to set aside the funds necessary to ensure that there are sufficient assets to fund Government's long term liabilities, including superannuation. This is in stark contrast to advisors to the Queensland Council of Unions who advocate the use of these assets to repay debt or fund service delivery.

**Finance and Administration Committee  
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**Question on Notice – Government QON No. 6**

**Asked on 26 September 2012**

**A GOVERNMENT MEMBER ASKED THE TREASURER AND MINISTER FOR TRADE (MR NICHOLLS)—**

**QUESTION:**

How does the fiscal consolidation outlined in the 2012/13 Budget compare to the former Government's plan to address Queensland increasing debt levels?

**ANSWER:**

Due to its significant fiscal consolidation, the Newman Government is now forecasting borrowings of \$6.6 billion less in 2015-16 than would have occurred under the former Labor government, as documented in the Independent Commission of Audit Interim Report (comparable figure).

The 2014-15 Non-financial Public sector borrowings are now expected to be \$81.749 billion compared with \$86.326 billion in the Independent Commission of Audit Interim Report (comparable figure).

As a result of the reduced borrowing requirement, the Government expects to save over \$1.3 billion of avoided interest expense over the forward estimates.

Queensland's debt to revenue ratio has improved markedly from that inherited by the previous Labor government. It continues to fall over the forward estimates reflecting a stabilisation of debt as a result of Government's fiscal repair efforts and growth in revenue.

The former Government had no plan to reduce debt, with its own budget documents forecasting debt to increase over the forward estimates. Labor was stuck on a path of debt and deficit.

**Finance and Administration Committee  
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**Question on Notice – Government QON No. 7**

**Asked on 26 September 2012**

**A GOVERNMENT MEMBER ASKED THE TREASURER AND MINISTER FOR TRADE (MR NICHOLLS)—**

**QUESTION:**

How does Queensland's debt levels and our cost of borrowing compare to other Australian states?

**ANSWER:**

Queensland currently has the highest debt levels of any state, with borrowings of \$73.7 billion in 2012-13 being \$10.4 billion higher than in New South Wales, which has the second highest debt levels. As a result of the Government's fiscal repair measures, this differential reduces across the forward estimates, declining to \$1.3 billion in 2015-16.

As at 28 September 2012, Queensland's average market cost of borrowings was 24 to 33 basis points (0.24% to 0.33%) higher than faced by Victoria, New South Wales and Western Australia. Queensland's cost of borrowings had also recently been higher than in South Australia and Tasmania, although Queensland's borrowing costs were lower than in these jurisdictions at 28 September 2012, partly associated with a positive market reaction to the 2012-13 Budget.

The Government's fiscal repair effort has meant that 2015-16 forecasts of borrowing as a percentage of GSP return to 2011-12 levels whereas New South Wales, Victoria and South Australia see their borrowings continue to grow as a proportion of GSP.

Ratio of Non-financial Public Sector Borrowings to GSP

	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
NSW	0.12	0.13	0.14	0.15	0.15
Vic	0.10	0.13	0.13	0.13	0.12
QLD	0.22	0.24	0.25	0.24	0.22
WA	0.12	0.12	0.13	0.12	0.12
SA	0.10	0.10	0.11	0.10	0.12

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**Question on Notice – Government QON No. 8**

**Asked on 26 September 2012**

**A GOVERNMENT MEMBER ASKED THE TREASURER AND MINISTER FOR TRADE (MR NICHOLLS)—**

**QUESTION:**

What feedback has been received from the international rating agencies about Queensland's fiscal position and outlook?

**ANSWER:**

Standard and Poor's Ratings Agency (S&P) issued a bulletin in relation to the 2012-13 Budget shortly after the Budget was released. The bulletin noted "*the new Queensland Government, in its first budget, has acted to address issues around the long-term sustainability of finances raised by the Commission of Audit*".

S&P consider that a near-term movement in ratings is unlikely, although "*an upward movement in the rating may be possible over the mid-to-long term, following a sustained improvement in Queensland's budgetary performance and debt burden*".

Moody's issued a press release in relation to the 2012-13 Budget on Budget day. The release notes that the..."*new administration is implementing a budgetary redress plan that is projected to narrow the deficit and bring the state into a small [fiscal] surplus position by 2014-15*". The release further notes that "*Moody's will evaluate the budget assumptions, the degree of government resolve to bring the budget back to balance, including its ability to reduce the rate of current expenditure growth, budget cushions to offset potential revenue volatility, and the impact of financial improvements on the state's debt burden*".

On 13 September 2012, Fitch issued a release downgrading Queensland's credit rating by one notch from AA+ (negative outlook) to AA with a stable outlook. This was followed by a full rating report published on 3 October 2012. Much of Fitch's analysis is based on the outcomes in the past four years, a period characterised by significant increases in borrowings, as a result of expenditures not being sufficiently restrained in line with weaker revenue outcomes and very high levels of capital expenditure. As stated by Fitch: '*A combination of a weak operating budget performance and sizeable capital expenditure (capex) led to a tripling of Queensland's general government debt over four years.*' and '*Tough economic conditions and weak cost management resulted in a negative operating balance in the financial year ending 30 June 2012.*'

However, with respect to the current Government's fiscal measures, Fitch has noted that *“the stable outlook on Queensland's rating reflects Fitch's expectations that Queensland's announced expenditure measures in the 2012-13 Budget will contribute to a restoration of the state's fiscal position in the near term.”* and *‘Fitch views the government's new measures positively as they support the restoration of Queensland's fiscal position but the structurally cyclical revenues are a potential drag on the speed of fiscal recovery.’*

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**Question on Notice – Government QON No. 9**

**Asked on 26 September 2012**

**A GOVERNMENT MEMBER ASKED THE TREASURER AND MINISTER FOR TRADE (MR NICHOLLS)—**

**QUESTION:**

Did the 2012-13 Budget deliver on the Newman Government's cost of living election promises?

**ANSWER:**

A key priority for the Newman Government is easing the cost of living pressures on Queenslanders. Under this Government Queenslanders will find savings when they turn on their lights; turn on their taps; register their family car or buy a new home. In fact, the Newman Government's saving measures will save families up to \$260 this year alone.

The 2012-13 Budget delivers on these commitments by providing:

- \$63 million in 2012-13 to freeze the standard electricity tariff (Tariff 11) – excluding the cost of carbon;
- \$132.3 million over three years to freeze car registration fees for more than 2.5 million family vehicles;
- \$917 million over three years to reinstate the principal place of residence concessional rate for stamp duty, providing savings of up to \$7,175 when buying a home;
- \$92 million in 2012-13 to deliver a rebate of \$80 per connection for households supplied by the South East Queensland bulk water grid;
- \$158.2 million over four years to halve public transport fare increases due in 2013 and 2014; and
- \$39 million over four years to reward regular commuters by reintroducing free travel on the Translink network after nine journeys in a Monday to Sunday week.

These initiatives deliver real relief, by putting more money back in the pockets of Queensland families.

**Finance and Administration Committee  
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**Question on Notice – Government QON No. 10**

**Asked on 26 September 2012**

**A GOVERNMENT MEMBER ASKED THE TREASURER AND MINISTER FOR TRADE (MR NICHOLLS)—**

**QUESTION:**

How do the financial projections contained in the 2012/13 Budget compare to those contained in the Government's interim response to the Commission of Audit?

**ANSWER:**

The Government's interim response to the Independent Commission of Audit projected General Government fiscal deficits across the forward estimates period of:

2012-13:	\$9.775 billion deficit
2013-14	\$5.484 billion deficit
2014-15	\$1.563 billion deficit
2015-16	\$1.352 billion deficit

As a result of the fiscal repair measures implemented in the 2012-13 Budget, the Government is now on track to achieve a fiscal surplus from 2014-15 onwards with projections of the fiscal balance as follows:

2012-13:	\$10.768 billion deficit
2013-14	\$3.752 billion deficit
2014-15	\$0.652 billion <u>surplus</u>
2015-16	\$0.747 billion <u>surplus</u>

The total value of fiscal repair measures taken in the 2012-13 Budget is \$5.477 billion between 2012-13 and 2014-15, rising to \$7.766 billion when 2015-16 is included.

The fiscal repair measures have also resulted in a reduction in borrowing requirements, such that total borrowings in 2015-16 are projected to be \$6.6 billion lower than estimated in the Independent Commission of Audit interim report (noting that these figures were not updated in the Government's interim response to the Independent Commission of Audit).

The improvement in the Government's fiscal balance has resulted in interest cost savings of over \$1.3 billion over the forward estimates.

This represents:

- 1,300 beds in hospitals or
- 250km of dual carriageway Bruce Highway or
- 16,250 additional teachers or
- 26 brand new topshelf, primary schools

**Finance and Administration Committee  
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**Question on Notice – Non-Government QON No. 1**

**Asked on 26 September 2012**

**A NON-GOVERNMENT MEMBER ASKED THE TREASURER AND MINISTER FOR TRADE (MR NICHOLLS)—**

**QUESTION:**

I refer to Budget Paper 3 pages 5 and 9. Can the Treasurer provide a breakdown of capital grants and capital purchases by Queensland Statistical Divisions based off the ABS Australian Standard Geographical Classification 2010 and as per page 10 of Budget Paper 3 in the 2011-12 Budget?

**ANSWER:**

The Australian Bureau of Statistics (ABS) has moved away from the Australian Standard Geographical Classification (the final edition was released on 5 October 2011) to the new Australian Statistical Geography Standard.

In moving to the new standard, the ABS *‘encourages the use of the new standard by other organisations to improve the comparability and usefulness of the statistics’* and stated: *‘As a whole, the ASGS represents a more comprehensive, flexible and consistent way of defining Australia’s statistical geography than the ASGC’*<sup>1</sup> For these reasons Queensland has also adopted the Australian Statistical Geography Standard.

The new standard sees the move away from Statistical Divisions (as previously used and referred to in the question) and the adoption of Statistical Areas. Consequently, information contained in Budget Paper 3 has not been collected by Statistical Division.

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<sup>1</sup> ABS 1270.0.55.001 – Australian Statistical Geography Standard (ASGS) Volume 1 – Main Structure and Greater Capital City Statistical Areas, July 2011

**Finance and Administration Committee  
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**Question on Notice – Non-Government QON No. 2**

**Asked on 26 September 2012**

**A NON-GOVERNMENT MEMBER ASKED THE TREASURER AND  
MINISTER FOR TRADE (MR NICHOLLS)—**

**QUESTION:**

I refer to page 42 of Budget Paper 2. Can the Minister confirm that reference to ‘fiscal consolidation’ in relation to the lower employment growth forecast for 2012-13 refers in part to measures taken in the 2012-13 Queensland State Budget?

**ANSWER:**

Broader macroeconomic forces, such as uncertainty over the global economic outlook, a still cautious business sector and the competitive pressures of the high A\$ are expected to be the main drivers of the employment growth forecast in 2012-13.

The longer term outlook is consistent with projections of an increase in employment of more than 220,000 persons between 2011-12 to 2016-17 in the Industry Employment Projections – 2012 Report released by the Commonwealth Department of Education, Employment and Workplace Relations.

These projections show that Queensland will lead the nation in job generation over the next 5 years, growing more jobs than any other state.

**Finance and Administration Committee  
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**Question on Notice – Non-Government QON No. 3**

**Asked on 26 September 2012**

**A NON-GOVERNMENT MEMBER ASKED THE TREASURER AND MINISTER FOR TRADE (MR NICHOLLS)—**

**QUESTION:**

I refer to page 33 footnote 69 of the SDS for Queensland Treasury and Trade. Can the Minister list separately the reasons why there are 'increased whole-of-Government funding requirements' in 2012-13 leading to higher borrowings?

**ANSWER:**

As outlined on pages 24 and 25 of Budget Paper 2, the 2012-13 fiscal balance and hence borrowings, are significantly impacted by the timing of Australian Government funding, particularly with regard to the mismatch between natural disaster revenue and expenditure.

Disaster works peaks in 2012-13 with almost \$4.5 billion in disaster expenditure while revenue from the Commonwealth related to disaster payments is at its lowest in 2012-13 at \$23 million (refer table 2.3 of Budget Paper 2). We understand that this re-profiling of Commonwealth funding was required to deliver Commonwealth Treasurer Wayne Swan a paper surplus in 2012-13, at the expense of his bottom line for 2011-12, which blew out by over \$24 billion to a fiscal deficit of \$44.5 billion.

This, coupled with other movements in Australian Government revenue out of 2012-13 that results in a timing mismatch between revenue and expenditure and the one off redundancy payment are the largest contributors to the borrowing requirement in 2012-13 (refer pages 16, 18, 22 and 23 of Budget Paper 2).

The 2012-13 Budget outlined borrowings in the Non-financial Public Sector of:

2011-12	\$62.7 billion
2012-13	\$73.7 billion
2013-14	\$79.9 billion
2014-15	\$81.7 billion

Importantly, this is a significant improvement over the Non-financial Public Sector borrowings outlined in the 2011-12 Mid Year Fiscal and Economic Review, (the final Budget update of the previous Government) of:

2011-12	\$62.4 billion
2012-13	\$74.2 billion
2013-14	\$81.4 billion
2014-15	\$85.4 billion

The Independent Commission forecast that Non-financial Public Sector borrowings would be \$86.326 billion in 2014-15. The Government's reduced level of borrowing due to the fiscal consolidation saves over \$1.3 billion of avoided interest expense over the forward estimates.

This is more funding to deliver frontline services for the people of Queensland.

**Finance and Administration Committee  
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**Question on Notice – Non-Government QON No. 4**

**Asked on 26 September 2012**

**A NON-GOVERNMENT MEMBER ASKED THE TREASURER AND  
MINISTER FOR TRADE (MR NICHOLLS)—**

**QUESTION:**

I refer to page 34 of Budget Paper 2. Can the Minister confirm whether reference to 'fiscal repair' as a factor for slowing economic growth in 2013-14 refers in any way to measures taken in the 2012-13 Budget?

**ANSWER:**

It is noted the previous government's forecast economic growth of 5.25% in the 2011-12 Budget did not eventuate. The rate of economic growth in 2013-14 largely reflects a slowing in business investment growth as LNG construction peaks that year.

As further noted on page 34 of Budget Paper 2, lower spending on disaster recovery, which peaks in 2012-13, also contributes to the easing of economic growth in 2013-14.

The Government's action to grow the four pillars of the Queensland economy are in response to the previous government's neglect which had seen declines in tourism, property and construction, and agriculture, with only resource industry activity growing.

**Finance and Administration Committee  
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**Question on Notice – Non-Government QON No. 5**

**Asked on 26 September 2012**

**A NON-GOVERNMENT MEMBER ASKED THE TREASURER AND MINISTER FOR TRADE (MR NICHOLLS)—**

**QUESTION:**

I refer to page 140 of Budget Paper 2 where it details ‘employee expenses’ with average annual growth of 3.9% per annum from 2012-13 to 2015-16 removing the \$800 million cost of redundancies in the 2012-13 financial year. I also refer to page 34 of Budget Paper 2 where it details inflation plus population growth of 4.5% from 2012-13 to 2013-14 and 4.75% from 2014-15 to 2015-16? If the Government considers the reductions in the public service in the 2012-13 Budget to be to a ‘right sized’ public service can the Treasurer advise why average annual employee expense growth factors in a drop in wages and or the number of Government workers to population?

**ANSWER:**

Reflecting the Government’s fiscal repair efforts, employee expenses are expected to grow on average 2.5% per annum between 2011-12 and 2015-16. This is in stark contrast to the average employee expenses growth of 9.6% per annum since 2005-06 under the former Government, which led to unsustainable growth in employee expenses.

This Government will grow the number of positions in key service delivery roles, such as teachers, nurses and police, so that service delivery meets the needs of Queenslanders. It is evident that the explosion in public service employees and wages under the former Government did not result in a commensurate improvement in frontline services.

The previous government belatedly recognises this when it introduced its flawed voluntary separation program that reviewed over 40,000 positions as potential candidates for separation from the public sector, including, public servants delivering front line services.

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**Question on Notice – Non-Government QON No. 6**

**Asked on 26 September 2012**

**A NON-GOVERNMENT MEMBER ASKED THE TREASURER AND MINISTER FOR TRADE (MR NICHOLLS)—**

**QUESTION:**

I refer to page 135 of Budget Paper 4 under Treasury and Trade where it details an efficiency dividend on Energex Limited, Ergon Energy Corporation and Powerlink of \$256.28 million over four years. Can the Minister list how these efficiencies will be met separated out by each Government Owned Corporations including the number of any GOC employee positions removed to meet this target (broken down by permanent, temporary, casual and contract) and by location and/or departmental region?

**ANSWER:**

This Government's fiscal strategy is firmly focused on restoration of a sustainable fiscal position. The GOC Efficiency Measures referred to, are comprised of a forecast improvement in dividend and tax equivalent flows to the Queensland General Government sector from GOC cost savings, in particular from the electricity network businesses.

The Government is refocusing Government-owned corporations (GOC) to drive greater value for money, improved accountability, enhanced delivery of essential services and close scrutiny of future capital and debt requirements. The GOC-sector has been challenged to drive efficiencies across all activities and cut unnecessary expenditure, while ensuring the continued availability of a safe and reliable electricity network across Queensland.

The leadership and composition of GOC boards has been re-invigorated to deliver strong commercial responses to these challenges. GOCs are Corporations Act companies with independent boards and management with accountability for making commercial and investment decisions. As such, the detail of how these Efficiency Measures will be met is a matter for the respective GOC boards.

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**Question on Notice – Non-Government QON No. 7**

**Asked on 26 September 2012**

**A NON-GOVERNMENT MEMBER ASKED THE TREASURER AND MINISTER FOR TRADE (MR NICHOLLS)—**

**QUESTION:**

I refer to page 5 of Budget Paper 4 where it details the savings measures made by the Department of Community Safety. Does the Treasurer stand by these Budget figures following the decision to reverse particular cuts to the Queensland Fire and Rescue Service in relation to Rural Fire Services?

**ANSWER:**

I stand by the fiscal repair savings measures for the Department of Community Safety.

The fiscal repair savings measures shown on page 5 of Budget Paper 4 do not specify the measures to be implemented by agencies. In fact on page 4 it explicitly states that it is a matter for Ministers and Directors-General to determine the specific areas of their departments in which these savings will be made, applying the following principles in their decision making:

- Service delivery to the public should remain unaffected
- Permanent positions should only be considered after temporary and contract staff
- Organisations and structures should be redesigned to streamline process and reduce layers of management and red tape
- Functions and activities should be reviewed to ensure workload management pressures are addressed
- Staff affected by changes must be properly consulted and supported during the change process.

Accordingly any measures specific to rural fire services are a matter for determination by the Minister for Police and Community Safety (the Minister).

The Minister, in his discussions with stakeholders, including the Rural Fire Brigades Association of Queensland has agreed that efficiencies for rural fire operations would be achieved and that a revised staffing level will be limited to executive and administration areas.

The decisions made by the Minister are consistent with achieving the required fiscal repair savings.

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**Question on Notice – Non-Government QON No. 8**

**Asked on 26 September 2012**

**A NON-GOVERNMENT MEMBER ASKED THE TREASURER AND MINISTER FOR TRADE (MR NICHOLLS)—**

**QUESTION:**

I refer to page 5 of the SDS where it details a reduction in the Budget for ‘GOC performance and governance’ of \$3.32 million. Can the Treasurer advise for each employee position removed from the Office of Government Owned Corporations which Government Owned Corporation each officer had responsibility for overseeing?

**ANSWER:**

The Office of Government Owned Corporations (OGOC) was initially established in 2000 when the Queensland public sector had ownership of some 21 government owned corporations (GOC). Since that time the number of GOC has reduced to 12 through a mix of asset sales and rationalisation.

The GOC sector has not only reduced in number. A number of the businesses remaining in public ownership are subject to some form of economic regulation which reduces the risk profile associated with ownership relative to the diverse and competitive industries in which previous government owned businesses operated, including lotteries, freight forwarding and electricity retailing.

In response to the diverse range of businesses it was managing OGOC was established with functions in performance monitoring, policy development, commercial transaction work, strategic reviews and compliance monitoring for a range of public sector policies imposed on GOC. With the reduction in the number of GOC, OGOC had already reduced the cost of the performance monitoring function through natural attrition and a reduction in consultancy and other expenditure in the 2011-12 year, resulting in a saving in excess of \$1M relative to the original budget estimate.

The Newman LNP Government has established clear expectations for the GOC sector that align with the principles underpinning corporatisation, namely improving the efficiency and effectiveness of GOC and their accountability. In light of this, it was timely to refocus the core function of OGOC on the performance monitoring function.

This has been achieved through:

- re-establishing the work area as an integral part of the Queensland Treasury and Trade department rather than as a separate Office with the additional administrative functions that entails. To this end the area is now known as Commercial Monitoring.

- implementing a program to remove a number of public sector policies that created additional compliance burden on both GOC and the former OGOC for little added value (for example Carbon Offsets policy);
- removing duplication between OGOC and other areas of Queensland Treasury and Trade in developing economic policy and undertaking commercial transactions associated with GOC.

This new approach to managing oversight of the GOC sector has enabled efficiencies to be realised in the delivery of the performance monitoring function. By reducing duplication of functions and improving role clarity across Queensland Treasury and Trade we have achieved a reduction in FTEs of 8. None of the eliminated positions were directly responsible for undertaking performance monitoring functions. These roles were focused either on administrative, management or policy development functions.

Since the 2012-13 financial year commenced the performance monitoring function has been strengthened and improved with new monthly reporting arrangements implemented in addition to the usual quarterly reports to shareholding Ministers provided historically. A reduced and more focused policy development role will continue to be undertaken by the monitoring analysts as required from time to time.

**Finance and Administration Committee  
2012-13 Estimates Hearing**

**Question on Notice – Non-Government QON No. 9**

**Asked on 26 September 2012**

**A NON-GOVERNMENT MEMBER ASKED THE TREASURER AND MINISTER FOR TRADE (MR NICHOLLS)—**

**QUESTION:**

I refer to Budget Paper 4 Tables 4-6 which details new election commitment expenditure and revenue reductions that appear to total \$4.1 billion across the forward estimates, with new expenditure including capital and revenue reductions including election commitments totalling \$6.5 billion across the forward estimates. Can the Treasurer confirm that \$4.1 billion is the total for new expenditure including capital and revenue reductions for the LNP's election promises and that \$6.5 billion constitutes the total new spending and revenue reductions made by the LNP Government in the 2012-13 Budget and if these figures are not correct can the Treasurer advise what these figures are excluding any savings measures or revenue increases made in Tables 4-6?

**ANSWER:**

Queensland Treasury and Trade have been unable to reconcile the ambiguous figures provided in the question

Table 2.2 on page 17 of Budget Paper 2 clearly shows the total net cost of election commitments on the fiscal balance over the period 2012-13 to 2014-15 is \$63 million.

The total fiscal balance impact of all measures implemented by the Newman Government over the same period is a saving of \$5.5 billion across the forward estimates, increasing to \$7.8 billion when 2015-16 is included, which is consistent with the figures provided in tables 4-6 of Budget Paper 4.

Unlike Labor, the LNP took a fully costed and independently audited set of election commitments to the election.

**Finance and Administration Committee  
2012-13 Estimates Hearing**

**Question on Notice – Non-Government QON No. 10**

**Asked on 26 September 2012**

**A NON-GOVERNMENT MEMBER ASKED THE TREASURER AND MINISTER FOR TRADE (MR NICHOLLS)—**

QUESTION:

I refer to pages 14 and 16 of the Queensland Treasury and Trade SDS. Can the Minister list which businesses are not considered 'significant' out of the cuts to 'Significant one on one business consultations undertaken' of 2,425 and why other targets on these pages have been lowered while they are still under review?

ANSWER:

The previous Government implemented this SDS measure and the distinction of 'significant'. This Government views all Queensland businesses as significant. They are critical to the Government's economic development goals. They are the backbone of the Queensland economy and they are the job creators of today and tomorrow.

It is, however, important to note that the SDS measure referred to captures significant business consultations and not significant businesses. It is a measure of the various forms of consultations/assistance provided by Trade and Investment Queensland (TIQ) staff to Queensland businesses. There is an increase in this target from 1,692 in 2011-12 to 2,000 in 2012-13, an increase of nearly 20 percent, which demonstrates this Government is committed to 'significantly' assisting all Queensland businesses to achieve trade and investment success.

The fiscal position this Government was left with has required all government departments to implement efficiencies and savings initiatives. TIQ, like other agencies, will reprioritise its efforts towards activities that achieve value for money. Furthermore, current performance measures will be reviewed during this financial year to ensure they reflect TIQ's priorities and are weighted towards outcomes.

This Government understands the importance of an effective performance reporting system, as it is critical for:

- restoring much needed public confidence in government
- ensuring the public are getting value for their money
- enabling Queenslanders to be better informed
- ensuring the accountability of government, and
- from an agency management aspect, enhancing the planning and budgeting capacity of government agencies.